

GILBERT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Gilbert Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Marcia DeZonia	President	2009
Janet Warg	Vice President	2007
Chris Benda	Board Member	2008
Kim Mosiman	Board Member	2008
Mary Zimmerman	Board Member	2009

Board of Education (After September 2007 Election)		
Marcia DeZonia	President	2009
Kim Mosiman	Vice President	2008
Chris Benda	Board Member	2008
Mary Zimmerman	Board Member	2009
Paul Livingston	Board Member	2010

School Officials		
John Kinley	Superintendent	2008
Johna Clancy	Board Secretary/Treasurer and Business Manager	2008
Ahlers & Cooney, P.C.	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Gilbert Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District, Gilbert, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2009, on our consideration of Gilbert Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gilbert Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gilbert Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,374,699 in fiscal 2007 to \$10,067,656 in fiscal 2008, while General Fund expenditures increased from \$8,991,435 in fiscal 2007 to \$9,741,199 in fiscal 2008. The District's General Fund balance increased from \$602,570 in fiscal 2007, to \$899,801 in fiscal 2008, a 49.33% increase over the prior year.
- The increase in General Fund revenues was mostly attributable to increases in local and state revenues in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The District continues to receive local option sales and service tax from Story and Boone County.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gilbert Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gilbert Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gilbert Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Gilbert Community School District Annual Financial Report

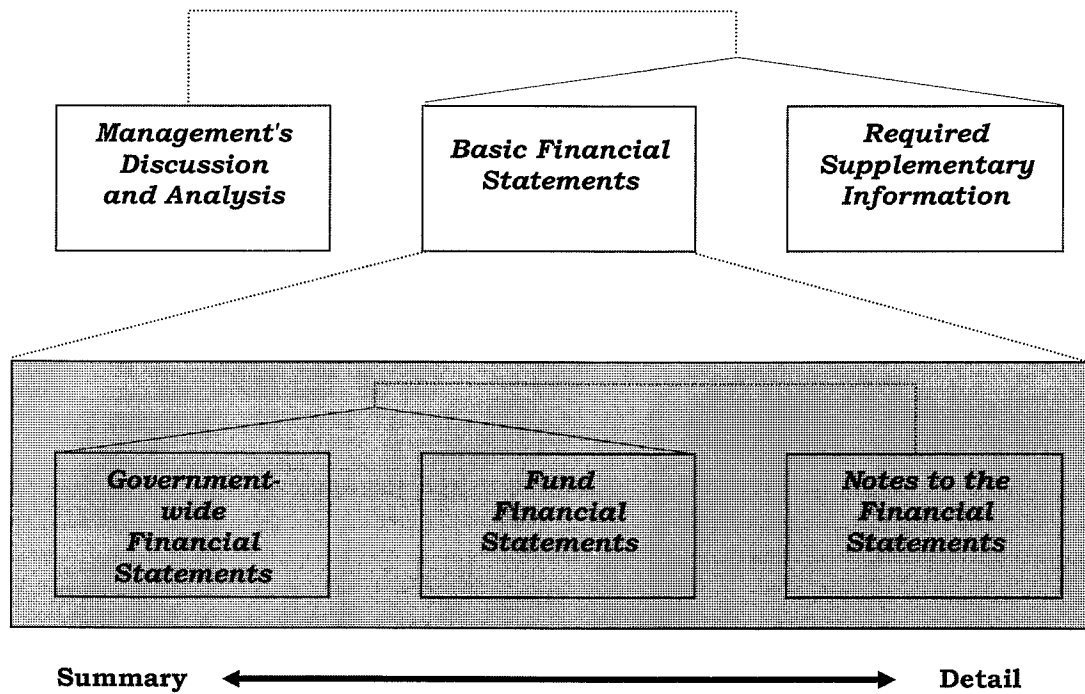


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 10,334,656	9,581,048	\$ 16,525	11,818	\$ 10,351,181	9,592,866	7.90%
Capital assets	16,405,280	16,794,811	145,386	162,503	16,550,666	16,957,314	-2.40%
Total assets	26,739,936	26,375,859	161,911	174,321	26,901,847	26,550,180	1.32%
Long-term obligations	11,757,361	12,805,706	5,393	0	11,762,754	12,805,706	-8.14%
Other liabilities	6,216,120	6,332,171	11,735	9,720	6,227,855	6,341,891	-1.80%
Total liabilities	17,973,481	19,137,877	17,128	9,720	17,990,609	19,147,597	-6.04%
Net assets:							
Invested in capital assets, net of related debt	4,715,280	4,131,455	145,386	162,503	4,860,666	4,293,958	13.20%
Restricted	3,287,577	2,708,239	0	0	3,287,577	2,708,239	21.39%
Unrestricted	763,598	398,288	(603)	2,098	762,995	400,386	90.56%
Total net assets	\$ 8,766,455	7,237,982	\$ 144,783	164,601	\$ 8,911,238	7,402,583	20.38%

The District's combined net assets increased by nearly 20.38%, or \$1,508,655 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 21.39%, or approximately \$579,338, over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 90.56%, or approximately \$362,609, from the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,685,318	1,265,672	\$ 339,840	329,874	2,025,158	1,595,546	26.93%
Operating grants and contributions and restricted interest	1,075,550	945,278	100,880	91,301	1,176,430	1,036,579	13.49%
Capital grants and contributions and restricted interest	4,109	3,100	0	0	4,109	3,100	32.55%
General revenues:							
Property tax	4,940,131	4,700,112	0	0	4,940,131	4,700,112	5.11%
Local option sales and service tax	1,038,858	1,052,728	0	0	1,038,858	1,052,728	-1.32%
Unrestricted state grants	4,147,709	4,077,073	0	0	4,147,709	4,077,073	1.73%
Other	480,261	468,275	1,204	1,177	481,465	469,452	2.56%
Transfers	0	0	0	152,434	0	152,434	-100.00%
Total revenues and transfers	13,371,936	12,512,238	441,924	574,786	13,813,860	13,087,024	5.55%
Program expenses:							
Governmental activities:							
Instructional	7,525,491	6,711,120	0	0	7,525,491	6,711,120	12.13%
Support services	2,793,186	2,577,320	0	0	2,793,186	2,577,320	8.38%
Non-instructional programs	2,920	0	461,742	451,144	464,662	451,144	3.00%
Other expenses	1,521,866	1,797,828	0	0	1,521,866	1,797,828	-15.35%
Total expenses	11,843,463	11,086,268	461,742	451,144	12,305,205	11,537,412	6.65%
Change in net assets	1,528,473	1,425,970	(19,818)	123,642	1,508,655	1,549,612	-2.64%
Net assets beginning of year	7,237,982	5,812,012	164,601	40,959	7,402,583	5,852,971	26.48%
Net assets end of year	\$ 8,766,455	7,237,982	\$ 144,783	164,601	8,911,238	7,402,583	20.38%

In fiscal 2008, property tax and unrestricted state grants account for 67.96% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.73% of the revenue from business type activities.

The District's total revenues were approximately \$13.81 million of which \$13.37 million was for governmental activities and \$0.44 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.55% increase in revenues and a 6.65% increase in expenses. Property tax increased approximately \$240,019 to fund increases in expenditures. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$13,371,936 and expenses were \$11,843,463. The District amended the budget one time for \$527,000 in total.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 7,525,491	6,711,120	12.13%	5,134,004	4,840,703	6.06%
Support services	2,793,186	2,577,320	8.38%	2,774,884	2,569,080	8.01%
Non-instructional programs	2,920	0	100.00%	2,920	0	100.00%
Other expenses	1,521,866	1,797,828	-15.35%	1,166,678	1,462,435	-20.22%
Totals	\$ 11,843,463	11,086,268	6.83%	9,078,486	8,872,218	2.32%

- The cost financed by users of the District's programs was \$1,685,318.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,079,659.
- The net cost of governmental activities was financed with \$4,940,131 in local tax, \$1,038,858 in local option sales and service tax, \$4,147,709 in unrestricted state grants, \$236,934 in interest income and \$243,327 in other income.

Business-Type Activities

Revenues of the District's business-type activities were \$441,924 and expenses were \$461,742. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Gilbert Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,197,907, above last year's ending fund balances of a \$3,336,679. The primary reason for the increase is attributable to the District's decrease in facilities acquisitions expenditures.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increases in local and state money resulted in an increase in revenues.
- The Management fund balance increased from \$68,904 in 2007, to \$110,613 in 2008, due to an increase in local tax revenue.
- The Activity fund balance increased from \$117,405 to \$118,317, due to increased revenues.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$74,880 to \$29,275, due to a decrease in other revenues and an increase in facilities acquisitions expenditures.

-
- The Debt Service fund balance decreased from \$982,082 in 2007, to \$957,168 in 2008.
 - The Capital Projects fund increased from \$1,490,838 in fiscal 2007 to \$2,082,733 in fiscal 2008, due to a decrease in facilities acquisitions expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$164,601 in 2007, to \$144,783 in 2008. This was due expenditures exceeding revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gilbert Community School District amended its annual budget one time to reflect additional expenditures associated with the support services functional area.

The District's revenues were \$1,689,003 more than budgeted revenues, a variance of approximately 13.93%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$16.55 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.40% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$620,914.

The original cost of the District's capital assets was \$21,568,192. Governmental funds account for \$21,308,220 with the remainder of \$259,972 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$652,301 at June 30, 2008, compared to \$741,877 reported at June 30, 2007. This decrease resulted from the current year depreciation expense.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 659,445	659,445	\$ 0	0	\$ 659,445	659,445	0.00%
Buildings	15,042,931	15,333,658	0	0	15,042,931	15,333,658	-1.90%
Improvements other than buildings	195,989	222,334	0	0	195,989	222,334	-11.85%
Machinery and equipment	506,915	579,374	145,386	162,503	652,301	741,877	-12.07%
Total	<u>\$ 16,405,280</u>	<u>16,794,811</u>	<u>\$ 145,386</u>	<u>162,503</u>	<u>\$ 16,550,666</u>	<u>16,957,314</u>	<u>-2.40%</u>

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$11,762,754 in general obligation bonds, revenue bonds and early retirement. This represents a decrease of 8.14% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had three outstanding general obligation bonds payable for a total of \$8,660,000 at June 30, 2008.

The District had revenue bonds payable of \$3,030,000 at June 30, 2008.

The District also had total outstanding early retirement payable of \$72,754 at June 30, 2008. \$67,361 is payable from the Special Revenue, Management Levy Fund and \$5,393 is payable from the School Nutrition Fund.

Figure A-7

Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation	\$ 8,660,000	9,030,000	-4.10%
Capital loan note	0	125,000	-100.00%
Energy loan	0	28,356	-100.00%
Revenue bonds	3,030,000	3,480,000	-12.93%
Early retirement	72,754	142,350	-48.89%
Totals	<u>\$ 11,762,754</u>	<u>12,805,706</u>	<u>-8.14%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Enrollment grew 3.57% or 38.8 students during the current year, and the district expects continued increases in the years to come. The increases in enrollment will help the District gain financial stability and aid in repayment of the District's obligations.
- The new middle school and renovations at the high school have been completed.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Johna Clancy, District Board Secretary, Gilbert Community School District, 103 Mathews Drive, Gilbert, Iowa, 50105.

BASIC FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 903,302	0	903,302
Other	3,995,580	0	3,995,580
Receivables:			
Property tax:			
Delinquent	84,094	0	84,094
Succeeding year	5,220,326	0	5,220,326
Accounts	95,755	0	95,755
Accrued interest			
ISCAP (Note 4)	343	0	343
Due from other governments	35,256	187	35,443
Inventories	0	16,338	16,338
Capital assets, net of accumulated depreciation (Note 5)	16,405,280	145,386	16,550,666
TOTAL ASSETS	26,739,936	161,911	26,901,847
LIABILITIES			
Excess of warrants issued over bank balance	0	445	445
Accounts payable	4,713	0	4,713
Interest payable	79,371	0	79,371
ISCAP warrants payable (Note 4)	896,000	0	896,000
ISCAP accrued interest payable (Note 4)	344	0	344
ISCAP premiums payable	15,366	0	15,366
Deferred revenue:			
Succeeding year property tax	5,220,326	0	5,220,326
Other	0	11,290	11,290
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	385,000	0	385,000
Revenue bonds	465,000	0	465,000
Early retirement	37,361	5,393	42,754
Portion due after one year:			
General obligation bonds	8,275,000	0	8,275,000
Revenue bonds	2,565,000	0	2,565,000
Early retirement	30,000	0	30,000
TOTAL LIABILITIES	17,973,481	17,128	17,990,609
NET ASSETS			
Invested in capital assets, net of related debt	4,715,280	145,386	4,860,666
Restricted for:			
Teacher compensation	1,661	0	1,661
Additional salary, professional developmen	24,781	0	24,781
Professional development	15,439	0	15,439
Market factor	2,340	0	2,340
Market factor incentives	7,321	0	7,321
Phase III	5,245	0	5,245
Beginning teacher mentoring	45	0	45
Physical plant & equipment levy	29,275	0	29,275
Management levy	43,252	0	43,252
Capital projects	2,082,733	0	2,082,733
Debt service	957,168	0	957,168
Other special revenue purposes	118,317	0	118,317
Unrestricted	763,598	(603)	762,995
TOTAL NET ASSETS	\$ 8,766,455	144,783	8,911,238

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 4,915,258	1,001,132	706,169	0	(3,207,957)	0	(3,207,957)
Special instruction	1,190,342	68,234	0	0	(1,122,108)	0	(1,122,108)
Other instruction	1,419,891	615,952	0	0	(803,939)	0	(803,939)
	7,525,491	1,685,318	706,169	0	(5,134,004)	0	(5,134,004)
Support services:							
Student services	131,894	0	0	0	(131,894)	0	(131,894)
Instructional staff services	354,549	0	0	0	(354,549)	0	(354,549)
Administration services	982,909	0	0	0	(982,909)	0	(982,909)
Operation and maintenance of plant services	795,103	0	0	0	(795,103)	0	(795,103)
Transportation services	528,731	0	18,302	0	(510,429)	0	(510,429)
	2,793,186	0	18,302	0	(2,774,884)	0	(2,774,884)
Non-Instructional:							
Community service & education operations	2,920	0	0	0	(2,920)	0	(2,920)
Other expenditures:							
Facilities acquisitions	274,331	0	0	4,109	(270,222)	0	(270,222)
Long-term debt interest	493,559	0	0	0	(493,559)	0	(493,559)
AEA flowthrough	351,079	0	351,079	0	0	0	0
Depreciation(unallocated)*	402,897	0	0	0	(402,897)	0	(402,897)
	1,521,866	0	351,079	4,109	(1,166,678)	0	(1,166,678)
Total governmental activities	11,843,463	1,685,318	1,075,550	4,109	(9,078,486)	0	(9,078,486)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	461,742	339,840	100,880	0	0	(21,022)	(21,022)
Total business-type activities	461,742	339,840	100,880	0	0	(21,022)	(21,022)
Total	\$ 12,305,205	2,025,158	1,176,430	4,109	(9,078,486)	(21,022)	(9,099,508)
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,765,800	0	3,765,800
Debt services					760,964	0	760,964
Capital outlay					413,367	0	413,367
Local option sales and services tax					1,038,858	0	1,038,858
Unrestricted state grants					4,147,709	0	4,147,709
Unrestricted investment earnings					236,934	1,204	238,138
Other					243,327	0	243,327
Total general revenues					10,606,959	1,204	10,608,163
Changes in net assets					1,528,473	(19,818)	1,508,655
Net assets beginning of year					7,237,982	164,601	7,402,583
Net assets end of year					\$ 8,766,455	144,783	8,911,238

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP (Note 4)	\$ 903,302	0	0	0	903,302
Other	809,755	1,996,401	944,625	244,799	3,995,580
Receivables:					
Property tax					
Delinquent	58,428	0	12,402	13,264	84,094
Succeeding year	3,620,447	0	760,073	839,806	5,220,326
Accounts	9,140	86,332	141	142	95,755
Accrued interest					
ISCAP (Note 4)	343	0	0	0	343
Due from other governments	35,256	0	0	0	35,256
TOTAL ASSETS	\$ 5,436,671	2,082,733	1,717,241	1,098,011	10,334,656
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,713	0	0	0	4,713
ISCAP warrants payable (Note 4)	896,000	0	0	0	896,000
ISCAP accrued interest payable (Note 4)	344	0	0	0	344
ISCAP premiums payable	15,366	0	0	0	15,366
Deferred revenue:					
Succeeding year property tax	3,620,447	0	760,073	839,806	5,220,326
Total liabilities	4,536,870	0	760,073	839,806	6,136,749
Fund balances:					
Reserved for:					
Debt service	0	0	957,168	0	957,168
Teacher compensation	1,661	0	0	0	1,661
Additional salary, professional development	24,781	0	0	0	24,781
Professional development	15,439	0	0	0	15,439
Market factor	2,340	0	0	0	2,340
Market factor incentives	7,321	0	0	0	7,321
Phase III	5,245	0	0	0	5,245
Beginning teacher mentoring	45	0	0	0	45
Unreserved:					
Undesignated	842,969	2,082,733	0	258,205	3,183,907
Total fund balances	899,801	2,082,733	957,168	258,205	4,197,907
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,436,671	2,082,733	1,717,241	1,098,011	10,334,656

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 4,197,907
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	16,405,280
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(79,371)
Long-term liabilities, including bonds payable, capital loan note payable, energy loan payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,757,361)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 8,766,455</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,469,815	0	760,964	709,352	4,940,131
LOSST	0	1,038,858	0	0	1,038,858
Tuition	1,069,366	0	0	0	1,069,366
Other	301,779	51,481	31,677	711,277	1,096,214
State sources	5,044,840	0	346	325	5,045,511
Federal sources	181,856	0	0	0	181,856
Total revenues	10,067,656	1,090,339	792,987	1,420,954	13,371,936
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	4,758,258	0	0	115,780	4,874,038
Special instruction	1,189,439	0	0	0	1,189,439
Other instruction	852,762	0	0	556,370	1,409,132
	6,800,459	0	0	672,150	7,472,609
Support services:					
Student services	133,394	0	0	0	133,394
Instructional staff services	352,823	0	0	0	352,823
Administration services	1,006,508	0	0	14,618	1,021,126
Operation and maintenance of plant services	748,020	0	0	48,831	796,851
Transportation services	344,496	0	0	198,408	542,904
	2,585,241	0	0	261,857	2,847,098
Non-instructional:					
Community service & education operations	4,420	0	0	0	4,420
Other expenditures:					
Facilities acquisitions	0	750	0	359,406	360,156
Long-term debt:					
Principal	0	0	973,356	0	973,356
Interest and fiscal charges	0	0	501,990	0	501,990
AEA flowthrough	351,079	0	0	0	351,079
	351,079	750	1,475,346	359,406	2,186,581
Total expenditures	9,741,199	750	1,475,346	1,293,413	12,510,708
Excess(deficiency) of revenues over(under) expenditures	326,457	1,089,589	(682,359)	127,541	861,228
Other financing sources(uses):					
Transfers in	0	0	657,445	0	657,445
Transfers out	(29,226)	(497,694)	0	(130,525)	(657,445)
Total other financing sources(uses)	(29,226)	(497,694)	657,445	(130,525)	0
Net change in fund balances	297,231	591,895	(24,914)	(2,984)	861,228
Fund balance beginning of year	602,570	1,490,838	982,082	261,189	3,336,679
Fund balance end of year	\$ 899,801	2,082,733	957,168	258,205	4,197,907

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 861,228

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 212,975	
Depreciation expense	(602,506)	(389,531)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets 973,356

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 8,431

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement 74,989

Changes in net assets of governmental activities (page 15) \$ 1,528,473

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
ASSETS	
Due from other governments	\$ 187
Inventories	16,338
Capital assets, net of accumulated depreciation(Note 5)	145,386
TOTAL ASSETS	<u>161,911</u>
LIABILITIES	
Current liabilities:	
Excess of warrants issued over bank balance	445
Unearned revenues	11,290
Long-term liabilities:	
Early retirement benefits payable	5,393
TOTAL LIABILITIES	<u>17,128</u>
NET ASSETS	
Invested in capital assets	145,386
Unrestricted	(603)
TOTAL NET ASSETS	<u>\$ 144,783</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	<u>\$ 339,840</u>
OPERATING EXPENSES:	
Food service operations:	
Salaries	144,853
Benefits	64,272
Services	3,645
Supplies	230,564
Depreciation	<u>18,408</u>
TOTAL OPERATING EXPENSES	<u>461,742</u>
OPERATING LOSS	<u>(121,902)</u>
NON-OPERATING REVENUES:	
Interest	1,204
State sources	5,059
Federal sources	<u>95,821</u>
TOTAL NON-OPERATING REVENUES	<u>102,084</u>
Net loss	(19,818)
Net assets at beginning of year	<u>164,601</u>
Net assets end of year	<u><u>\$ 144,783</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 340,108
Cash received from miscellaneous operating activities	1,302
Cash payments to employees for services	(203,732)
Cash payments to suppliers for goods or services	(206,464)
Net cash used in operating activities	<u>(68,786)</u>
Cash flows from non-capital financing activities:	
State grants received	5,059
Federal grants received	63,324
Net cash provided by non-capital financing activities	<u>68,383</u>
Cash flows from investing activities:	
Interest on investments	<u>1,204</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(1,291)</u>
Net decrease in cash and cash equivalents	(490)
Cash and cash equivalents at beginning of year	<u>45</u>
Cash and cash equivalents at end of year	<u>\$ (445)</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (121,902)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	32,310
Depreciation	18,408
Increase in inventories	(4,565)
Increase in unearned revenue	1,570
Increase in early retirement benefits payable	5,393
Net cash used in operating activities	<u>\$ (68,786)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ (445)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$32,310.

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Gilbert Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Gilbert, Iowa, and the predominate agricultural territory in Boone and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Gilbert Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Gilbert Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone and Story County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 134,347

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 29,226
Debt Service	Special Revenue, Physical Plant and Equipment Levy	130,525
Debt Sinking	Capital Projects	497,694
Total		<u>\$ 657,445</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/2008	6/25/2009	\$ 903,302	343	896,000	344

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 659,445	0	0	659,445
Total capital assets not being depreciated	<u>659,445</u>	<u>0</u>	<u>0</u>	<u>659,445</u>
Capital assets being depreciated:				
Buildings	18,105,908	85,825	0	18,191,733
Land improvements	656,265	0	0	656,265
Machinery and equipment	1,704,788	127,150	31,161	1,800,777
Total capital assets being depreciated	<u>20,466,961</u>	<u>212,975</u>	<u>31,161</u>	<u>20,648,775</u>
Less accumulated depreciation for:				
Buildings	2,772,250	376,552	0	3,148,802
Land improvements	433,931	26,345	0	460,276
Machinery and equipment	1,125,414	199,609	31,161	1,293,862
Total accumulated depreciation	<u>4,331,595</u>	<u>602,506</u>	<u>31,161</u>	<u>4,902,940</u>
Total capital assets being depreciated, net	<u>16,135,366</u>	<u>(389,531)</u>	<u>0</u>	<u>15,745,835</u>
Governmental activities capital assets, net	<u>\$ 16,794,811</u>	<u>(389,531)</u>	<u>0</u>	<u>16,405,280</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 258,681	1,291	0	259,972
Less accumulated depreciation	96,178	18,408	0	114,586
Business-type activities capital assets	<u>\$ 162,503</u>	<u>(17,117)</u>	<u>0</u>	<u>145,386</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 78,951
Special	3,063
Other	14,841
Support services:	
Instructional staff	4,233
Administration services	6,888
Operation and maintenance of plant services	18,776
Transportation	72,857
Unallocated depreciation	<u>199,609</u>
Total governmental activities depreciation expense	<u>\$ 602,506</u>
Business-type activities:	
Food services	<u>\$ 18,408</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 9,030,000	0	370,000	8,660,000	385,000
Capital loan note	125,000	0	125,000	0	0
Revenue bonds	3,480,000	0	450,000	3,030,000	465,000
Energy loan	28,356	0	28,356	0	0
Early retirement	142,350	32,254	101,850	72,754	42,754
Total	\$ 12,805,706	32,254	1,075,206	11,762,754	892,754

General Obligation Bonds

Details of the District's June 30, 2008 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of July 1, 2004		
		Principal	Interest	Total
2009	4.05 % \$	0	360,545	360,545
2010	4.05	410,000	356,394	766,394
2011	4.05	425,000	339,586	764,586
2012	4.05	440,000	322,272	762,272
2013	4.05	460,000	304,250	764,250
2014	4.05	475,000	285,518	760,518
2015	4.05	495,000	266,079	761,079
2016	4.05-4.15	515,000	245,829	760,829
2017	4.15-4.30	540,000	224,273	764,273
2018	4.30-4.40	560,000	201,040	761,040
2019	4.40-4.50	585,000	176,320	761,320
2020	4.50-4.60	615,000	149,803	764,803
2021	4.60-4.65	640,000	121,320	761,320
2022	4.65	670,000	91,291	761,291
2023	4.65-4.70	705,000	59,787	764,787
2024	4.70-4.75	740,000	26,270	766,270
		\$ 8,275,000	3,530,577	11,805,577

Year Ending June 30,	Interest Rate	Bond issue of July 1, 2004		
		Principal	Interest	Total
2009	3.30-3.45 % \$	275,000	7,058	282,058

Year Ending June 30,	Interest Rate	Bond issue of June 1, 1995		
		Principal	Interest	Total
2009	5.70 % \$	110,000	6,270	116,270
Total		\$ 8,660,000	3,543,905	12,203,905

Revenue Bonds

During the year ended June 30, 2005, the District issued Revenue Bonds of \$3,870,000. Details of the District's June 30, 2008 indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of March 1, 2005		
		Principal	Interest	Total
2009	3.00	% \$ 465,000	89,020	554,020
2010	3.00	480,000	74,845	554,845
2011	3.00	495,000	60,220	555,220
2012	3.15	510,000	44,763	554,763
2013	3.35	530,000	27,852	557,852
2014	3.45	550,000	9,487	559,487
Total		\$ 3,030,000	306,187	3,336,187

The District has pledged future local option sales and services tax revenues to repay the \$3,870,000 bonds issued in March 2005. The bonds were issued for the purpose of financing a portion of the costs of a new middle school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 53 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,336,187. For the year ended June 30, 2008, principal and interest paid on the bonds were \$450,000 and \$102,745, respectively.

Early Retirement

The District offers a voluntary early retirement plan to its all employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 48% if the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2008, totaled \$101,850.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the years ended June 30, 2008, 2007, and 2006. Contribution requirements are established by State statute. The

District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$349,774, \$308,073, and \$281,368, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$351,079 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Unrestricted Net Assets

The Enterprise, School Nutrition Fund had deficit unrestricted net assets of \$603 at June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 8,144,569	341,044	8,485,613	6,864,582	6,864,582	1,621,031
State sources	5,045,511	5,059	5,050,570	4,935,275	4,935,275	115,295
Federal sources	181,856	95,821	277,677	325,000	325,000	(47,323)
Total revenues	13,371,936	441,924	13,813,860	12,124,857	12,124,857	1,689,003
Expenditures:						
Instruction	7,472,609	0	7,472,609	8,146,313	8,146,313	673,704
Support services	2,847,098	0	2,847,098	2,673,000	3,200,000	352,902
Non-instructional programs	4,420	461,742	466,162	539,459	539,459	73,297
Other expenditures	2,186,581	0	2,186,581	2,701,100	2,701,100	514,519
Total expenditures	12,510,708	461,742	12,972,450	14,059,872	14,586,872	1,614,422
Excess(deficiency) of revenues over(under) expenditures	861,228	(19,818)	841,410	(1,935,015)	(2,462,015)	3,303,425
Other financing sources, net	0	0	0	553,144	553,144	(553,144)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	861,228	(19,818)	841,410	(1,381,871)	(1,908,871)	2,750,281
Balance beginning of year	3,336,679	164,601	3,501,280	1,381,871	1,381,871	2,119,409
Balance end of year	\$ 4,197,907	144,783	4,342,690	0	(527,000)	4,869,690

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$527,000.

OTHER SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total
ASSETS				
Cash and pooled investments	\$ 104,368	22,114	118,317	244,799
Receivables:				
Property tax:				
Current year delinquent	6,182	7,082	0	13,264
Succeeding year	400,000	439,806	0	839,806
Accounts	63	79	0	142
TOTAL ASSETS	\$ 510,613	469,081	118,317	1,098,011
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 400,000	439,806	0	839,806
Total liabilities	400,000	439,806	0	839,806
Fund balances:				
Unreserved:				
Undesignated	110,613	29,275	118,317	258,205
Total fund balances	110,613	29,275	118,317	258,205
TOTAL LIABILITIES AND FUND BALANCES	\$ 510,613	469,081	118,317	1,098,011

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total
REVENUES:				
Local sources:				
Local tax	\$ 295,985	413,367	0	709,352
Other	23,972	130,023	557,282	711,277
State sources	137	188	0	325
TOTAL REVENUES	320,094	543,578	557,282	1,420,954
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	103,558	12,222	0	115,780
Other instruction	0	0	556,370	556,370
Support services:				
Administration services	14,618	0	0	14,618
Operation and maintenance of plant services	48,831	0	0	48,831
Transportation services	111,378	87,030	0	198,408
Other expenditures:				
Facilities acquisition	0	359,406	0	359,406
TOTAL EXPENDITURES	278,385	458,658	556,370	1,293,413
Excess of revenues over expenditures	41,709	84,920	912	127,541
Other financing uses:				
Transfers out	0	(130,525)	0	(130,525)
Net change in fund balances	41,709	(45,605)	912	(2,984)
Fund balance beginning of year	68,904	74,880	117,405	261,189
Fund balance end of year	\$ 110,613	29,275	118,317	258,205

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys basketball	\$ 1,309	10,595	10,589	1,315
Girls basketball	2,208	8,117	6,716	3,609
Football	5,181	15,393	19,386	1,188
Soccer	543	7,143	7,686	0
Baseball	25	13,557	13,582	0
Softball	111	6,820	6,931	0
Boys track/CC	4,954	0	1,443	3,511
Girls track/CC	9,751	4,502	5,290	8,963
Golf	1,941	1,219	935	2,225
Football camp	2,268	19,149	18,874	2,543
Wrestling	87	5,722	5,026	783
Volleyball	7	7,040	7,047	0
Baseball camp	118	0	0	118
Girls basketball camp	902	2,535	2,351	1,086
Softball camp	880	1,849	2,729	0
Boys basketball camp	0	4,968	2,463	2,505
Volleyball camp	0	4,797	2,874	1,923
Cheerleading I	19	2,981	3,000	0
Cheerleading II	4,299	21,070	25,369	0
G club	6,075	1,815	2,980	4,910
Fitness club	2,276	0	1,350	926
Annual	2,874	19,095	19,764	2,205
Business club	1,506	1,184	509	2,181
Drama	2,470	5,095	3,245	4,320
After prom	2,025	9,679	9,047	2,657
FCCLA	277	60,888	61,011	154
District XI FHA	0	390	390	0
History club	321	1,797	1,888	230
HS student council	1,435	4,081	3,845	1,671
SADD	0	25	25	0
MOC	0	47	0	47
Spanish club	2,048	3,925	2,982	2,991
Art club	6	6,149	6,155	0
Secondary student pop	5,352	0	3,213	2,139
Secondary teachers pop	82	106	168	20
Secondary LMC	221	5	79	147
National honor society	64	435	282	217
Science club	8	0	0	8
FFA	0	15,991	14,209	1,782
Student activity	3,263	0	2,334	929
Elementary TAG	3	0	0	3
Character counts	1	0	0	1
GESS	21,234	53,227	51,048	23,413
Elementary pop	457	150	497	110
Elementary student activity	3,061	965	3,423	603
Elem 6th grade carnival	2,041	533	1,033	1,541

GILBERT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Student scrip	0	170,482	165,604	4,878
Instrumental music	3,351	17,875	16,249	4,977
Secondary band	96	0	0	96
MS band	180	650	473	357
Vocal music	2,463	7,108	6,424	3,147
Vocal robes	570	4,128	4,698	0
Adult education	570	485	420	635
Elementary health club	1,054	906	511	1,449
General activity	7,835	2,643	858	9,620
Industrial education projects	137	0	0	137
Agriculture education	0	1,333	1,127	206
Alumni	782	0	29	753
Class of 2006	1,082	0	205	877
Class of 2007	743	0	0	743
Class of 2008	2,818	1,542	3,963	397
Class of 2009	679	11,719	9,074	3,324
Class of 2010	0	1,412	520	892
Class of 2011	0	29	29	0
Student padlock	1,513	130	1,193	450
MS student activity	519	4,495	4,413	601
MS guidance	500	60	313	247
MS vocal	16	2,101	2,117	0
MS FCCLA	0	1,920	1,920	0
MS yearbook	411	2,550	2,111	850
MS teachers pop	78	87	0	165
MS student council	0	909	827	82
MS drama	305	1,339	1,248	396
MS dance club	0	201	201	0
MS art club	0	139	75	64
	<u>\$ 117,405</u>	<u>557,282</u>	<u>556,370</u>	<u>118,317</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 5,978,989	5,752,840	4,902,630	4,554,887	3,960,802
Tuition	1,069,366	833,141	781,055	797,463	779,286
Other	1,096,214	903,823	815,712	765,286	450,714
State sources	5,045,511	4,830,135	4,249,279	3,988,614	3,548,507
Federal sources	181,856	192,299	191,698	226,429	167,216
Total	<u>\$ 13,371,936</u>	<u>12,512,238</u>	<u>10,940,374</u>	<u>10,332,679</u>	<u>8,906,525</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 4,874,038	4,689,576	3,883,576	3,400,124	3,184,131
Special instruction	1,189,439	1,197,259	1,384,622	1,575,302	1,337,762
Other instruction	1,409,132	852,669	1,119,677	990,884	874,004
Support services:					
Student services	133,394	127,416	92,712	99,117	94,973
Instructional staff services	352,823	396,916	345,799	336,575	290,551
Administration services	1,021,126	913,903	803,992	658,949	643,275
Operation and maintenance of plant services	796,851	696,035	545,010	545,481	493,087
Transportation services	542,904	477,046	408,024	376,937	310,496
Central support services	0	0	0	0	45,195
Non-instructional:					
Community service & education operations	4,420	5,501	6,169	8,621	5,623
Other expenditures:					
Facilities acquisitions	360,156	2,171,839	8,485,959	2,428,951	435,506
Long Term Debt:					
Principal	973,356	896,924	490,565	479,273	433,083
Interest and fiscal charges	501,990	534,019	535,999	443,017	134,894
AEA flow-through	351,079	332,307	286,885	265,059	244,617
Total	<u>\$ 12,510,708</u>	<u>13,291,410</u>	<u>18,388,989</u>	<u>11,608,290</u>	<u>8,527,197</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
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117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Gilbert Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 3, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gilbert Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Gilbert Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gilbert Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Gilbert Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Gilbert Community School District's financial statements that is more than inconsequential will not be prevented or detected by Gilbert Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Gilbert Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gilbert Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Gilbert Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Gilbert Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Gilbert Community School District and other parties to whom Gilbert Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Gilbert Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2009

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

More specifically, transactions in the General Activity account appear to be controlled by teachers for break room beverages and flowers sent to funerals. Also noted in the Student Activity Fund was a student padlock account and library account. Because the General Activity account as well as the padlock account and library account do not appear to be cocurricular or extra curricular in nature they may be more appropriate in the General Fund. The District should review the transactions in this account and make the necessary transfers.

Donations made to a District should be placed in the most appropriate place based upon the donor request. Target donations are intended for instructional supplies. The most logical place to record the revenue and subsequent purchase of instructional supplies

would be the General Fund. Future donations from Target should be recorded in the General Fund.

Response - We will transfer the padlock account to the General Fund and evaluate the General Activity account to make the necessary adjustments.

Conclusion - Response accepted.

I-C-08 Gate Admissions - Pre-numbered tickets are not being used for all performances held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small.
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.
- h. The Activity Director or designee should be required to night deposit at the bank or lock the event proceeds in the District's vault until deposit the following day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.
- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - New staff will work to accomplish the recommendation.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Marcia DeZonia, Board President	Assessment consulting	\$1,121
Chris Benda, Board Member	Bus driver	\$243

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board members do not appear to be a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-08 Financial Condition - The District had a deficit unrestricted net assets of \$603 in the Enterprise - School Nutrition fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We are monitoring the Nutrition Fund monthly to correct as soon as possible.

Conclusion - Response accepted.